



FOR IMMEDIATE RELEASE

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Rate Adjustments Necessary to Raise Revenue for Harford County Water and Sewer Services

BEL AIR, Md., (Sept. 9, 2015) - Rate adjustments for Harford County's public water and sewer services are necessary in light of a recent analysis showing that both systems have been chronically underfunded for a decade and will run out of operating cash next year.

By law, each of Harford County's systems must operate as a separate "enterprise fund", which is required to be self-sufficient using revenue derived from service users rather than from the county's general revenue. Legislation was introduced Tuesday to the County Council on behalf of the Glassman administration outlining the needed adjustments for all of the county's public water and sewer customers, including all residential, commercial and institutional users. If approved, the adjustments will take effect beginning January 1 and be reflected in customers' bills beginning in April 2016. Under the proposed legislation, the water and sewer bill for the average residential user will remain the lowest among peer jurisdictions.

The proposed rate adjustments are in response to a report to the Glassman administration by the global consulting firm, Black & Veatch, which analyzed Harford County's water and sewer rates and operations. The analysis was initiated in 2012 at the request of the County Council. The last rate study prior to the Black & Veatch analysis was done in 1995.

The Black & Veatch analysis shows that water and sewer operating revenues, which are based on the rates paid by users, have failed to cover the systems' operating costs for more than a decade. Calling the current situation "dire", the analysis indicates that the failure to adjust rates appropriately over the past ten years now requires rate adjustments to ensure sufficient revenue to fund water and sewer operations.

Prior revenue shortfalls were made up by tapping into the water and sewer operating fund balance, which declined from a surplus of \$18 million two years ago, to an expected \$2 million surplus by the end of the current fiscal year. Without increased revenue, the Black & Veatch analysis shows an operating fund deficit for next year that will increase exponentially, ending next fiscal year at an estimated \$7.5 million, doubling to \$18 million in fiscal year 2018 and nearly doubling again to \$35 million in fiscal year 2019.

“Unfortunately, decisions made in the past have brought the water and sewer enterprise funds to this critical point,” said County Executive Barry Glassman. “My administration’s rate adjustment plan softens the immediate impact on users as much as possible, but we have a responsibility to put these systems on a sound fiscal path in accordance with the law. We also must ensure the availability of clean water and reliable services for citizens living and doing business in Harford County.”

Federal and state environmental regulations, infrastructure maintenance and customer demand are among the cost drivers in the public water and sewer systems. The proposed rate adjustments will provide adequate funding for future operations, while keeping Harford County’s rates lower than peer systems, including Harford’s municipalities and Cecil, Frederick, and Carroll counties. Combined water and sewer rates will also remain below the combined national average in fiscal year 2016, keeping Harford County among the nation’s most cost-effective systems in meeting customer needs.

Harford County’s water and sewer rates are set forth in tables listing the individual factors that comprise the total rates. The adjusted tables of rates were included in the legislation introduced Tuesday, which will be posted on the county website. A public hearing on the legislation will be held on October 13. The hearing will include a financial presentation by representatives from Black & Veatch. The presentation will also be posted on the county website following the public hearing.

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